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# **Building Covered California: Blueprint Overview and Establishment Grant**

**California Health Benefit Exchange,  
Board Meeting**

**November 14, 2012**

# Presentation Overview

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- Today & Next Steps
- Blueprint For California Operating a State-based Insurance Exchange
- Planning for Level 2.0 and Financial Sustainability
- Major Program Activities – Planning Considerations
- Operating and Financial Contingency Plans
- Small Business Health Options Program
  
- Update on Outreach, Education and Marketing

# Covered California: Today & Next Steps

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Date	Activity
November 14 <sup>th</sup>	Recommended Plan and Blueprint to Board
November 15 <sup>th</sup> /16 <sup>th</sup>	Submit Level 2.0 Establishment Request and Blueprint
December 19 <sup>th</sup>	Board considers Final Outreach Grant Program Policies
December – February	Engage stakeholders in refining and beginning implementation of Marketing and Outreach Plans
January 2013	Stakeholder Advisory Groups start

# Covered California:

## Context for Blueprint & Level 2.0

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- The Exchange has been working since it was established through state legislation in 2010 to lay the groundwork for the unprecedented expansion of coverage that will benefit millions of Californians starting in 2014.
- The Exchange continues to make dramatic progress through accelerated planning and development activities undertaken during the state's Level 1 and Level 1.2 Exchange Establishment grants supporting many of the core work areas of the Exchange.
- The Exchange is now seeking Level 2.0 grant funding to continue and expand its planning, development and implementation activities for a state-administered Exchange and to begin full operation by January 2014 and be self-sustainable by January 2015.

# Blueprint Overview

- Health & Human Services has developed a program that offers multiple Exchange models as well as a number of design alternatives within each model. California has chosen the State-based Exchange model.



\*Coordinate with Medicaid and CHIP Services (CMCS) on decisions and protocols

# Covered California Blueprint

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- In the Fall of 2010, California enacted the first state law in the nation establishing a health benefit exchange under the ACA, the California Patient Protection and Affordable Care Act (CA-ACA)
- Covered California will submit its Blueprint for Operating a State-based Insurance Exchange on November 16, 2012 which will identify Covered California's approach in:

Legal Authority and Governance	Organization and Human Resources
Consumer and Stakeholder Engagement	Finance and Accounting
Eligibility and Enrollment	Technology
Plan Management	Privacy and Security
Risk Adjustment and Reinsurance	Oversight and Monitoring
Small Business Health Options Program	Contracting, Outsourcing and Agreements

# Legal Authority and Governance

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## *Activities:*

- Enacted enabling legislation for the Exchange and established a governing board

## *Artifacts:*

- California Patient Protection and Affordable Care Act: [Assembly Bill 1602](#) and [Senate Bill 900](#), Statutes of 2010

# Consumer and Stakeholder Engagement

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## *Activities:*

- Developed stakeholder and Tribal consultation policies
- Developing consumer support functions including outreach and education program, call center, internet website, assisters program and agent payment strategies

## *Artifacts:*

- Stakeholder Consultation [Plan](#)
- Tribal Consultation [Plan](#)
- Marketing, Outreach and Education Work [Plan](#)
- Statewide Assisters Program Work [Plan](#)
- Service Center Design [Recommendations](#)
- [Individual](#) and [SHOP](#) Agent Payment Policies



# Eligibility and Enrollment

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## *Activities:*

- Validating California Eligibility, Enrollment and Retention System (CalHEERS) eligibility and enrollment business rules
- Developing protocols for Exchange service center to facilitate enrollment
- Partnering with Department of Health Care Services and Managed Risk Medical Insurance Board on eligibility and enrollment policy and CalHEERS development

## *Artifacts:*

- CalHEERS Business [Rules](#)
- Service Center [Protocols](#)

# Plan Management

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## *Activities:*

- Adopted Qualified Health Plan (QHP) certification policies, developed QHP solicitation, developed QHP regulations
- Partnering with California Department of Insurance and Department of Managed Health Care on QHP certification process

## *Artifacts:*

- QHP [Policies](#)
- QHP Solicitation
- QHP Regulations

# Risk Adjustment and Reinsurance

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## *Activities:*

- Using federal services for risk adjustment and reinsurance
- Will work with federal Department of Health and Human Services to develop a risk adjustment approach sensitive to the delegated model in California

## *Artifacts:*

- Blueprint Declaration Letter

# Small Business Health Options Program (SHOP)

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## *Activities:*

- Adopted SHOP policies for small groups between 2 and 50 employees including employer and employee choice
- Contracting for SHOP administrative services

## *Artifacts:*

- SHOP [Policies](#)
- SHOP Administrative Services [Policy](#)

# Finance and Accounting

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## *Activities:*

- Received two Establishment grants for start up funding
- Developed business plan
- Developed a sustainability model for expected operating costs, revenues and expenditures

## *Artifacts:*

- [Level 1.1](#) and [Level 1.2](#) Budgets
- [Business Plan](#)
- Sustainability Plan

# Technology

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## *Activities:*

- Awarded CalHEERS Contract to Accenture
- Partnering with DHCS and MRMIB on CalHEERS business rules validation and system design
- Contracted for Independent Verification and Validation (IV&V) services

## *Artifacts:*

- CalHEERS Business [Rules](#)
- Draft System Requirements to be released 11/16

# Privacy and Security

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## *Activities:*

- Developed privacy and security requirements for CalHEERS consistent with federal and state law and regulation
- Entered into Business Associates Agreement with CalHEERS vendor which includes privacy and security requirements

## *Artifacts:*

- CalHEERS Privacy and Security Standards
- Business Associates [Agreement](#) (Exhibit E)

# Operational Activities

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## Organization and Human Resources

*Activities:* Building organizational capacity to stand up the Exchange

*Artifacts:* [Organization Chart](#)

## Oversight, Monitoring and Reporting

*Activities:* Reporting regularly on Establishment grant activities; developing evaluation plan

*Artifacts:* [Grant Reports](#), Evaluation Plan [Framework](#)

## Contracting, Outsourcing and Agreements

*Activities:* Adopted procurement process for standard contracts and interagency agreements

*Artifacts:* [Procurement Process](#)



# Planning for Level 2.0 and Sustainability

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- California's size and diverse demographics poses unique challenges in making sure Californians are familiar with the opportunities for health coverage offered by Covered California.
- Establishment grants provide support for the Exchange to build the infrastructure to support its ongoing operation
- The Financial Sustainability Plan provides how the Exchange plans to ensure that it is self-sustaining in the future.
  - Sets an operational scale based on enhanced enrollment targets.
  - Plans for financial needs if enrollment is lower than the enhanced scenario.

# Use of Establishment Funds

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- Federal guidance limits Establishment Funds to supporting Exchange-specific start-up, outreach and testing:
  - The cooperative agreement amounts (Exchange grant funds) will only fund costs for establishment activities that are integral to Exchange operations and meeting Exchange requirements.
  - The first year of Exchange activities is critical to ensuring Exchange self-sufficiency. The establishment of an Exchange and activities related to such establishment also include start-up year expenses to allow outreach, testing and necessary improvements during the start-up year.
- Implications for Exchange planning:
  - All targeting, programs and budgeting are based on targeting of Exchange-eligible individuals.
  - There will be complementary benefits to enrollment of those newly-eligible for Medi-Cal, but Exchange establishment funds may not directly support such efforts.

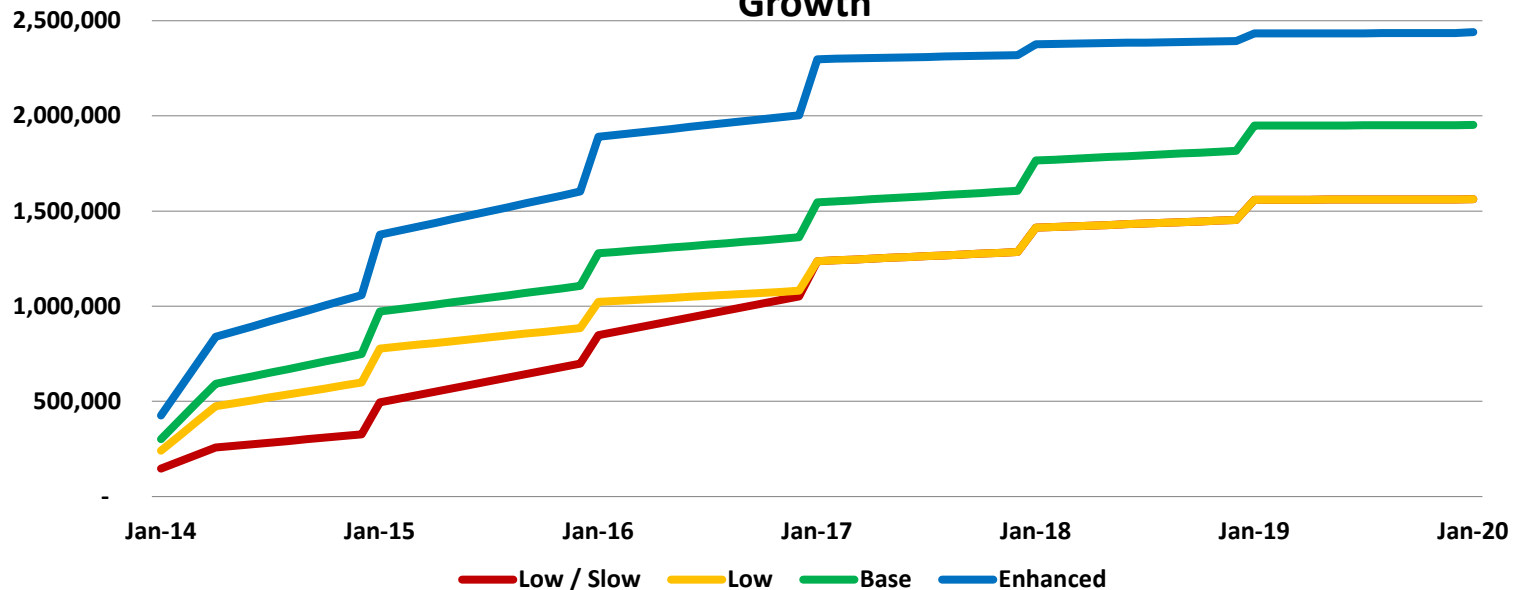
# Level 2.0 Grant Funding Request Summary

- Budget and staffing plan were developed based on minimum staffing required to meet annual enrollment goals in 2013 and 2014.

Expenditure Category	2013	2014	Total Grant Request Jan 2013- Dec 2014
Positions	807	1,161	
Personnel Expenses	43,518,337	96,631,314	140,149,651
Travel	447,058	489,540	936,598
<b>Sub-Total</b>	43,965,395	97,120,854	141,086,249
Contractual			
<i>Outside vendor services</i>	201,369,961	289,864,583	491,234,544
<i>Operational &amp; IAA</i>	59,388,618	42,576,314	101,964,932
<b>Sub-Total</b>	260,758,579	332,440,897	593,199,476
<i>Total prior to Medicaid/SCHIP Cost Allocation</i>	304,723,974	429,561,751	734,285,725
<b>CalHEERS 18% Medicaid/SCHIP Cost Allocation</b>	-11,108,908	-16,712,908	-27,821,815
<b>GRAND TOTAL</b>	<b>\$293,615,066</b>	<b>\$412,848,843</b>	<b>\$706,463,910</b>

# “Aim High” and Plan for Uncertainty

**Exchange Subsidized & Unsubsidized Enrollment Projection Profile and Growth**



	Jan-14	Jan-15	Jan-16	Jan-17	Jan-18	Jan-19	Jan-20
Low / Slow	150,000	490,000	850,000	1,240,000	1,410,000	1,560,000	1,560,000
Low	240,000	780,000	1,020,000	1,240,000	1,410,000	1,560,000	1,560,000
Base	300,000	970,000	1,280,000	1,550,000	1,770,000	1,950,000	1,950,000
Enhanced	430,000	1,380,000	1,890,000	2,300,000	2,380,000	2,430,000	2,440,000

Covered California is seeking to enroll as many Californians as possible. Covered California is working to meet and exceed its goals, while at the same time planning for lower enrollment by developing budgets that can be adjusted and constantly adjusting its marketing, outreach and operations as needed based on new information and experience.

# Planning Principles

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- Seek the highest value for the lowest cost
- Distinguish one-time development efforts and costs from ongoing costs
- Plan for variances
- Embrace interdependence and partnerships
- Evidence-based planning: Test, verify and adjust

# Planning for Uncertainty: Budget Alternatives for the Individual Exchange

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- The planning framework for the Exchange is to build operations and budgets that can be prudently scaled up or down based on variations in enrollment. Major planning considerations include:
- Targeted a minimum of three months operating as a reserve balance
- Additional revenues to be generated not reflected in working budgets
  - Plan assessment on non-Exchange QHP enrollment (at 50% of the in-Exchange rate)
  - Plan assessment for supplemental benefits (vision and dental inside Covered California)
- Minimize the initial plan participation fee to promote affordability
- If enrollment is lower than planned:
  - Plan participation fees would either decrease at a slower rate or even possibly increase
  - Incremental expenses would be decreased (e.g., payments for in-person assistance and staffing of the Service Center)
  - Discretionary expenses would be adjusted based on the information of what did and did not work most effectively in prior years (e.g., outreach and marketing)

# Planning for Uncertainty: Stakeholder Comments and Alternatives

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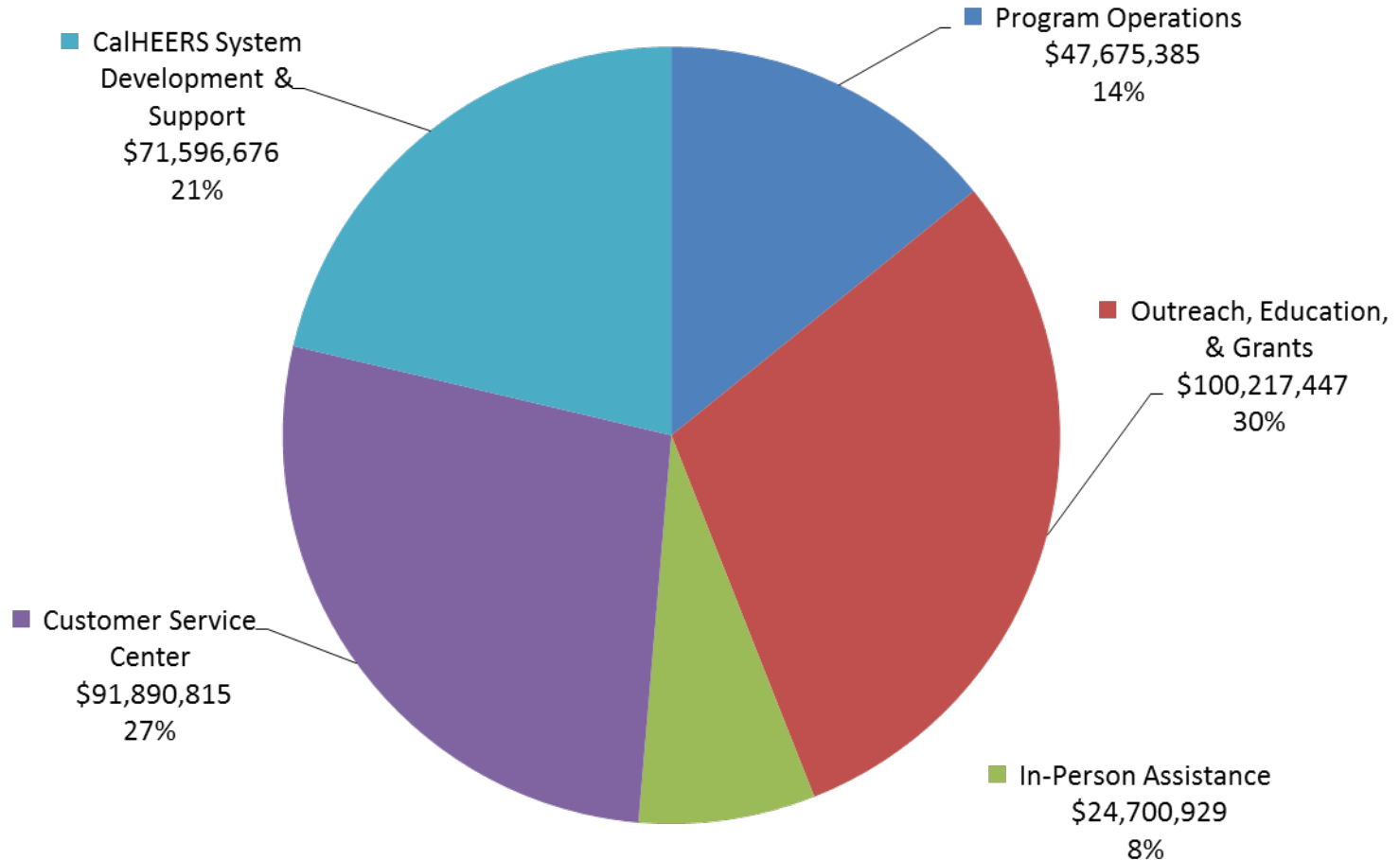
- Plan assessment should be kept as “low as possible” (draft model projected 4% assessment in 2014) and consider charging fees on a PMPM rather than a percent of premium basis.  
Responses:
  - Strong agreement that with prudent reserves, all action to keep initial assessment as low as possible. Reduced target 2014 plan assessment by 3% (lowering “planned” year-end reserve by \$50M)
  - Budgets reflect reserve balances of approximately 3 months instead of recommended 6 month target. Given importance of keeping initial premiums as low as possible.
  - In the even of lower enrollment, the Exchange will need to consider additional expense reductions or revenue generation.
  - The Exchange is continuing to assess the appropriate method of calculating fee assessment.
- Expenses in 2015 – particularly in areas of Outreach, Marketing & Grants and Service Center should be closely scrutinized and lowered if possible, in particular outreach grants and payments need to be “performance-based” and be sure to realize enrollment returns. Responses:
  - Agreement the investments in 2013 and 2014 may not need to be maintained (in 2014 there will be 6 months of “Open Enrollment” compared to 3 months in 2015) and there will be lessons learned during start-up that can be applied in future years.
  - Outreach and marketing investments of all types (in-person, community outreach and paid media ) along with support to help individuals eligible for the all need to be assessed based on impact on enrollment.
- Investments in In-Person Assistance should be a greater portion of total budget. Response:
  - The Exchange is making substantial investments in a range of outreach and enrollment channels. They need to be continually assessed based on their relative efficacy.
- The Exchange with DHCS should commit to “equity” in terms of outreach and in-person assistance support to assure enrollment in both Exchange subsidy programs and Medi-Cal. Response:
  - The budgets and plans reflect what the Exchange can appropriately support with federal Establishment funds and what it should support with premiums collected for the subsidized Exchange enrollment. The Exchange will continue to work in close partnership with DHCS to support California’s broader enrollment goals.

# Planned Enrollment & Operating Budget

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected	\$ -	\$ 4,593,636,060	\$ 8,606,230,770	\$ 12,078,402,954	\$ 15,369,903,069
Members	0	1,058,791	1,602,078	2,002,972	2,319,902
FTEs - Program Operations (Ex. Service Center)	272	293	293	293	293
FTEs - Service Center	530	860	761	761	761
<b>Revenue</b>					
HHS Establishment Grant 1.1-1.2 Funds	\$ 79,850,010	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	285,121,369	384,585,858	-	-	-
Plan Assessment Revenue	-	137,809,082	258,186,923	301,960,074	307,398,061
<b>Total Revenue</b>	<b>\$ 364,971,379</b>	<b>\$ 522,394,940</b>	<b>\$ 258,186,923</b>	<b>\$ 301,960,074</b>	<b>\$ 307,398,061</b>
Plan Assessment %	-	3.00%	3.00%	2.50%	2.00%
<b>Total Expenses</b>					
Program Operations	54,146,282	57,032,843	47,675,385	49,585,457	50,728,010
Outreach, Education, & Grants	88,715,463	129,884,207	100,217,447	98,695,760	98,695,760
In-Person Assistance	17,522,532	36,738,170	24,700,929	25,346,554	25,346,554
Customer Service Center	87,812,637	102,100,905	91,890,815	91,890,815	91,890,815
CalHEERs System Development & Support	142,620,714	77,924,552	71,596,676	56,864,035	47,036,340
<b>Subtotal Expenses</b>	<b>390,817,627</b>	<b>403,680,677</b>	<b>336,081,251</b>	<b>322,382,621</b>	<b>313,697,479</b>
Allocated Cost Offsets	(25,846,247)	(14,094,819)	(20,739,715)	(17,121,581)	(14,735,341)
<b>Total Operating Cost</b>	<b>\$ 364,971,379</b>	<b>\$ 389,585,858</b>	<b>\$ 315,341,536</b>	<b>\$ 305,261,039</b>	<b>\$ 298,962,137</b>
Expense PMPM			17.65	13.07	10.79
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 132,809,082</b>	<b>\$ (57,154,613)</b>	<b>\$ (3,300,965)</b>	<b>\$ 8,435,924</b>
Year-end Reserve Balance	\$ -	\$ 132,809,082	\$ 75,654,469	\$ 72,353,504	\$ 80,789,428
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 77,000,000	\$ 77,000,000	\$ 77,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ 55,809,082</b>	<b>\$ (1,345,531)</b>	<b>\$ (4,646,496)</b>	<b>\$ 3,789,428</b>



# Budget by Expense Category - 2015



**Total Expenses: \$336,081,251**

# Program Operations

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- Infrastructure and support activities to support operational functions of Covered California such as:
  - Support selection and oversight of qualified health plans
  - Finance and Administration
  - Program Policy and Oversight
  - Eligibility and Enrollment
  - Legal
  - Government Relations
  - Small Business Health Options Program
  - Information Technology (does not include CalHEERS)
- Includes all staff except those in Service Center

	2013	2014	2015
Budget	\$54,146,282	\$57,032,843	\$47,675,385
% of Spending	14%	14%	14%

# Outreach and Marketing

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- Maximize the enrollment of uninsured Californians:
  - Provide a one-stop marketplace for affordable, quality health care options and health insurance information
  - Educate Californians to understand the benefits of coverage
  - Encourage insured Californians to retain their coverage
  - Ensure the availability of affordable health insurance coverage for all eligible Californians
- Ultimately, the goal is to have every eligible Californian get health insurance coverage

	2013	2014	2015
Budget	\$88,715,463	\$129,884,207	\$100,217,447
% of Spending	23%	32%	30%

# In-person Assistance & Navigator Programs

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- Assistance delivered through trusted and known channels will be critical to building a culture of coverage to ensure as many consumers as possible enroll in and retain affordable health insurance.
- The need for assistance will be high during the early years, with some estimates ranging from 50% to 75% of applicants needing assistance to enroll.
- The in-person assisters and navigators will be trained, certified and registered with the Exchange in order to enroll consumers in Exchange products and programs.
- Exchange staff recommend revising policy and pay Assisters for renewals (budgeted at \$25 for 2015)
- Covered California will test a Navigator grant program not funded with Level 2.0 resources, budgeted for \$5 million in 2014.

	2013	2014	2015
Budget	\$17,522,532	\$36,738,170	\$24,700,929
% of Spending	4%	9%	7%

# In-person Assistance & Navigator Programs

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- Exchange enrollment assistance programs
  - Affordable Care Act requires states to establish a Navigator grant program to aid in public awareness and education, enrollment and ongoing use of qualified health plans offered through the Exchange.
  - Exchange Blueprint provides states the option of establishing an In-Person Assistance (IPA) program, distinct from the Navigator program, to provide additional enrollment assistance support to consumers.
- Covered California assisters program will offer two types of participation opportunities
  - Navigator: grant-based program providing performance-based block funding based on grantees' Covered California QHP enrollment targets.
  - In-person Assister (IPA): fee-for-enrollment program providing \$58 reimbursement for application resulting in successful Covered California QHP enrollment.
- Roles and responsibilities, eligibility and program standards, training and monitoring will be aligned to the extent possible.
- Operations and funding:
  - Navigator: services will begin no later than January 2014. Consistent with Affordable Care Act requirements, Navigator grants will be made from Covered California operational funds.
  - IPA: services will begin no later than October 2013 funded by Establishment dollars.

# Customer Service Center

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- The Service Center will respond to general inquiries, provide assistance with enrollment, support retention and help those who enroll in Covered California
- Estimate 850 State staff for the period from initial implementation in 2013 through December 31, 2014
- A significant share of staff will be hired as permanent intermittent staff to accommodate fluctuations in demand between open enrollment periods and other times of the year
- Current plans call for staff to be located in 3 separate facilities:
  - The main facility will be in Sacramento
  - A secondary facility targeted for southern/central California
  - A third facility will be located at a County-based site

	2013	2014	2015
Budget	\$87,812,637	\$102,100,905	\$91,890,815
% of Spending	22%	25%	27%

# CalHEERS

## System Development & Support

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- The Exchange has been engaged from its inception in rigorous analysis and system design to develop the information technology (IT) capacity to make eligibility and enrollment as easy as possible for consumers to support Exchange functionality and operations.
- The Exchange has been engaged through active partnership with the state agencies administering California's other state health care programs, the Department of Health Care Services and the Managed Risk Medical Insurance Board.
- The CalHEERS project is governed by an Executive Steering Committee that represents each of the participating agencies and has guided the project through the procurement process.
- CalHEERS is now in the design phase and during the period of the Level 2.0 grant will continue through design, testing and operational phases.
- The Exchange IT solution will be developed in conformance to HHS guidance and requirements.

	2013	2014	2015
Budget	\$142,620,714	\$77,924,552	\$71,596,676
% of Spending	36%	19%	21%

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# **Planning for Uncertainty: Budget Alternatives for the Individual Exchange**



# Planned Enrollment & Operating Budget

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected	\$ -	\$ 4,593,636,060	\$ 8,606,230,770	\$ 12,078,402,954	\$ 15,369,903,069
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HHS Establishment Grant 1.1-1.2 Funds	\$ 79,850,010	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	285,121,369	384,585,858	-	-	-
Plan Assessment Revenue	-	137,809,082	258,186,923	301,960,074	307,398,061
<b>Total Revenue</b>	<b>\$ 364,971,379</b>	<b>\$ 522,394,940</b>	<b>\$ 258,186,923</b>	<b>\$ 301,960,074</b>	<b>\$ 307,398,061</b>
Plan Assessment %	-	3.00%	3.00%	2.50%	2.00%
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CalHEERs System Development & Support	142,620,714	77,924,552	71,596,676	56,864,035	47,036,340
<b>Subtotal Expenses</b>	<b>390,817,627</b>	<b>403,680,677</b>	<b>336,081,251</b>	<b>322,382,621</b>	<b>313,697,479</b>
Allocated Cost Offsets	(25,846,247)	(14,094,819)	(20,739,715)	(17,121,581)	(14,735,341)
<b>Total Operating Cost</b>	<b>\$ 364,971,379</b>	<b>\$ 389,585,858</b>	<b>\$ 315,341,536</b>	<b>\$ 305,261,039</b>	<b>\$ 298,962,137</b>
Expense PMPM			17.65	13.07	10.79
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 132,809,082</b>	<b>\$ (57,154,613)</b>	<b>\$ (3,300,965)</b>	<b>\$ 8,435,924</b>
Year-end Reserve Balance	\$ -	\$ 132,809,082	\$ 75,654,469	\$ 72,353,504	\$ 80,789,428
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 77,000,000	\$ 77,000,000	\$ 77,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ 55,809,082</b>	<b>\$ (1,345,531)</b>	<b>\$ (4,646,496)</b>	<b>\$ 3,789,428</b>

# Operating Budget under Base Enrollment

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected	\$ -	\$ 3,245,139,082	\$ 5,962,323,790	\$ 8,226,038,880	\$ 10,633,812,599
Members	0	747,975	1,106,088	1,361,699	1,605,903
FTEs - Program Operations (Ex. Service Center)	272	293	293	293	293
FTEs - Service Center	530	860	501	491	500
<b>Revenue</b>					
HHS Establishment Grant 1.1-1.2 Funds	\$ 79,850,010	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	285,121,369	384,120,613	-	-	-
Plan Assessment Revenue	-	97,354,172	238,492,952	287,911,361	265,845,315
<b>Total Revenue</b>	<b>\$ 364,971,379</b>	<b>\$ 481,474,785</b>	<b>\$ 238,492,952</b>	<b>\$ 287,911,361</b>	<b>\$ 265,845,315</b>
Plan Assessment %	-	3.00%	4.00%	3.50%	2.50%
<b>Total Expenses</b>					
Program Operations	54,146,282	56,567,598	46,825,269	48,431,048	49,573,602
Outreach, Education, & Grants	88,715,463	129,884,207	80,173,958	78,956,609	78,956,609
In-Person Assistance	17,522,532	36,738,170	19,802,604	20,224,904	20,224,904
Customer Service Center	87,812,637	102,100,905	74,938,563	74,290,841	74,887,129
CalHEERs System Development & Support	142,620,714	77,924,552	71,596,676	56,864,035	47,036,340
<b>Subtotal Expenses</b>	<b>390,817,627</b>	<b>403,215,432</b>	<b>293,337,070</b>	<b>278,767,437</b>	<b>270,678,583</b>
Allocated Cost Offsets	(25,846,247)	(14,094,819)	(20,739,715)	(17,121,581)	(14,735,341)
<b>Total Operating Cost</b>	<b>\$ 364,971,379</b>	<b>\$ 389,120,613</b>	<b>\$ 272,597,354</b>	<b>\$ 261,645,856</b>	<b>\$ 255,943,242</b>
Expense PMPM			22.03	16.44	13.35
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 92,354,172</b>	<b>\$ (34,104,403)</b>	<b>\$ 26,265,505</b>	<b>\$ 9,902,073</b>
Year-end Reserve Balance	\$ -	\$ 92,354,172	\$ 58,249,770	\$ 84,515,275	\$ 94,417,348
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 70,000,000	\$ 70,000,000	\$ 70,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ 15,354,172</b>	<b>\$ (11,750,230)</b>	<b>\$ 14,515,275</b>	<b>\$ 24,417,348</b>

# Operating Budget under Low Enrollment

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected	\$ -	\$ 1,425,594,396	\$ 3,448,885,352	\$ 5,886,535,461	\$ 8,390,685,455
Members	0	326,393	698,530	1,050,886	1,284,723
FTEs - Program Operations (Ex. Service Center)	272	293	248	246	245
FTEs - Service Center	530	860	253	327	376
<b>Revenue</b>					
HHS Establishment Grant 1.1-1.2 Funds	\$ 79,850,010	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	285,121,369	383,492,852	-	-	-
Plan Assessment Revenue	-	42,767,832	172,444,268	235,461,418	335,627,418
<b>Total Revenue</b>	<b>\$ 364,971,379</b>	<b>\$ 426,260,684</b>	<b>\$ 172,444,268</b>	<b>\$ 235,461,418</b>	<b>\$ 335,627,418</b>
Plan Assessment %	-	3.00%	5.00%	4.00%	4.00%
<b>Total Expenses</b>					
Program Operations	54,146,282	55,939,837	40,305,463	42,113,172	43,093,981
Outreach, Education, & Grants	88,715,463	129,884,207	70,152,213	69,087,032	69,087,032
In-Person Assistance	17,522,532	36,738,170	17,326,854	19,370,904	19,370,904
Customer Service Center	87,812,637	102,100,905	58,822,852	63,602,547	66,833,771
CalHEERs System Development & Support	142,620,714	77,924,552	71,596,676	56,864,035	47,036,340
<b>Subtotal Expenses</b>	<b>390,817,627</b>	<b>402,587,671</b>	<b>258,204,058</b>	<b>251,037,690</b>	<b>245,422,029</b>
Allocated Cost Offsets	(25,846,247)	(14,094,819)	(20,403,386)	(16,775,161)	(14,378,529)
<b>Total Operating Cost</b>	<b>\$ 364,971,379</b>	<b>\$ 388,492,852</b>	<b>\$ 237,800,672</b>	<b>\$ 234,262,529</b>	<b>\$ 231,043,500</b>
Expense PMPM			33.22	20.57	15.27
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 37,767,832</b>	<b>\$ (65,356,405)</b>	<b>\$ 1,198,890</b>	<b>\$ 104,583,919</b>
Year-end Reserve Balance	\$ -	\$ 37,767,832	\$ (27,588,573)	\$ (26,389,683)	\$ 78,194,235
Minimum Target Year-End Balance (3 months)	\$ -	\$ 77,000,000	\$ 60,000,000	\$ 60,000,000	\$ 60,000,000
<b>Difference - Surplus (Gap from 3 month minimum)</b>	<b>\$ -</b>	<b>\$ (39,232,168)</b>	<b>\$ (87,588,573)</b>	<b>\$ (86,389,683)</b>	<b>\$ 18,194,235</b>

# Small Business Health Options Program

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- California is creating a separate exchange to serve small businesses and their employees, the Small Business Health Options Program (SHOP).
- The Exchange has undertaken a solicitation for a qualified vendor to administer the California SHOP and support its business functions.
- The vendor will be responsible for:
  - Sales support and fulfillment
  - Agent and general agent management
  - Eligibility and enrollment
  - Financial management
  - Customer service
  - Information technology services (optional)

# SHOP - Planned Enrollment & Operating Budget

	2013	2014	2015	2016	2017
<b>Key Variables</b>					
Premium Collected (Year End)	\$ -	\$ 325,448,471	\$ 791,471,441	\$ 1,221,258,887	\$ 1,712,164,782
Members (Year End)	0	96,000	161,000	218,000	280,333
FTEs (Year End)	7	7	7	7	7
<b>Revenue</b>					
HHS Establishment Grant 1.1-1.2 Funds	\$ -	\$ -	\$ -	\$ -	\$ -
HHS Establishment Grant 2.0 Funds	15,642,039	21,203,227	-	-	-
Plan Assessment	-	13,017,939	25,722,822	30,531,472	29,962,884
<b>Total Revenue</b>	<b>15,642,039</b>	<b>34,221,166</b>	<b>25,722,822</b>	<b>30,531,472</b>	<b>29,962,884</b>
Plan Assessment %		4.00%	3.25%	2.50%	1.75%
<b>Collected for Commissions*</b>		<b>17,574,217</b>	<b>42,739,458</b>	<b>65,947,980</b>	<b>82,183,910</b>
<b>Total Revenue and Collected Commissions</b>	<b>15,642,039</b>	<b>51,795,383</b>	<b>68,462,280</b>	<b>96,479,452</b>	<b>112,146,793</b>
<b>Total Expenses</b>					
Program Operations	11,142,039	14,703,227	15,255,607	15,693,663	16,135,054
Marketing	3,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Partnerships	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>Subtotal Expenses</b>	<b>15,642,039</b>	<b>21,203,227</b>	<b>21,755,607</b>	<b>22,193,663</b>	<b>22,635,054</b>
<b>Allocated Cost Offsets</b>					
Program Operations and Administrative			\$ 2,826,146	\$ 2,891,172	\$ 2,961,856
CalHEERs System Development & Support			\$ 5,011,767	\$ 3,980,482	\$ 3,292,544
<b>Subtotal Allocated Cost Offsets</b>	<b>-</b>	<b>-</b>	<b>\$ 7,837,914</b>	<b>\$ 6,871,655</b>	<b>\$ 6,254,400</b>
<b>Total Operating Cost</b>	<b>15,642,039</b>	<b>21,203,227</b>	<b>29,593,521</b>	<b>29,065,318</b>	<b>28,889,454</b>
Expense PMPM			18.01	12.30	9.36
<b>Commissions Expense</b>	<b>-</b>	<b>17,574,217</b>	<b>42,739,458</b>	<b>65,947,980</b>	<b>82,183,910</b>
<b>Net Income</b>	<b>\$ -</b>	<b>\$ 13,017,939</b>	<b>\$ (3,516,869)</b>	<b>\$ 1,830,074</b>	<b>\$ 1,447,742</b>
Year-end Reserve Balance	\$ -	\$ 13,017,939	\$ 9,501,070	\$ 11,331,145	\$ 12,778,887
Minimum Target Year-End Balance (3 months)	\$ -	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000	\$ 9,000,000
<b>Difference - Surplus (Gap from 3 months minimum)</b>	<b>\$ -</b>	<b>\$ 4,017,939</b>	<b>\$ 501,070</b>	<b>\$ 2,331,145</b>	<b>\$ 3,778,887</b>

\* Collected commissions assumes 1) 80% of premiums are agent-managed, 2) commission rates of 6% for agent commissions ,and 1.5% for general agent commissions applied to 50% of the agent-managed business.

# Planning for Uncertainty: Small Business Health Options Program

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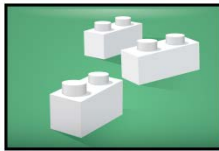
- As with the Individual Exchange, the planning for the Small Business Health Options Programs is designed around operations and budgets that can be scaled up or down based on variations in enrollment. Major planning considerations include:
  - The Exchange is planning for SHOP operations and budget to be self-sustaining and independent of the Individual Exchange
  - Allocating an appropriate portion of Exchange overhead to the management of the SHOP
  - Targeted a minimum of three months operating as a reserve balance
  - Minimize the initial plan participation fee to promote affordability
  - Provide for support for agents who take role in supporting employer participation in the SHOP program
- If enrollment is lower than planned:
  - Plan participation fees would either decrease at a slower rate or even possibly increase
  - Incremental expenses would be decreased (e.g., payments for vendor administration)
  - Discretionary expenses would be adjusted based on the information of what did and did not work most effectively in prior years (e.g., outreach and marketing)

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# Marketing & Outreach Updated Plan



# Covered California Marketing & Outreach Phases



## PHASE I

Build Out

September - December 2012



## PHASE V

Get Ready, Get Set...  
Enroll!

August - December 2014



## PHASE II

Consumer Outreach  
& Education

The Benefits of Coverage & "It's Coming"  
January - July 2013



## PHASE VI

Retention & Special  
Enrollment

January - July 2015



## PHASE III

Get Ready, Get Set...  
Enroll!

August 2013 - March 2014



## PHASE VII

Get Ready, Get Set...  
Enroll!

August - December 2015



## PHASE IV

Retention & Special  
Enrollment

April - July 2014



# Covered California's Primary Targets

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- The primary target of marketing and outreach efforts of Covered California are the more than 5.3 million California residents as of 2014:
  - 2.6 million who qualify for subsidies in Covered California; and
  - 2.7 million who do not qualify for subsidies but now benefit from guaranteed coverage and can enroll inside or outside of Covered California.
- Covered California's marketing and outreach effort will reach nearly every Californian – almost 38 million residents – with a positive message on new insurance options and proactive personal health care.
- There are an additional 2.4 million Californians who will be newly eligible for Medi-Cal.

# Covered California's Annual Enrollment Goals

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- By 2015:
  - Enrollment of 1.4 million Californians in subsidized coverage in Covered California or eligible to purchase in the individual market without subsidies
- By 2016:
  - Enrollment of 1.9 million Californians in subsidized coverage in Covered California or eligible to purchase in the individual market without subsidies
- By 2017:
  - Enrollment of 2.3 million Californians in subsidized coverage in Covered California or eligible to purchase in the individual market without subsidies

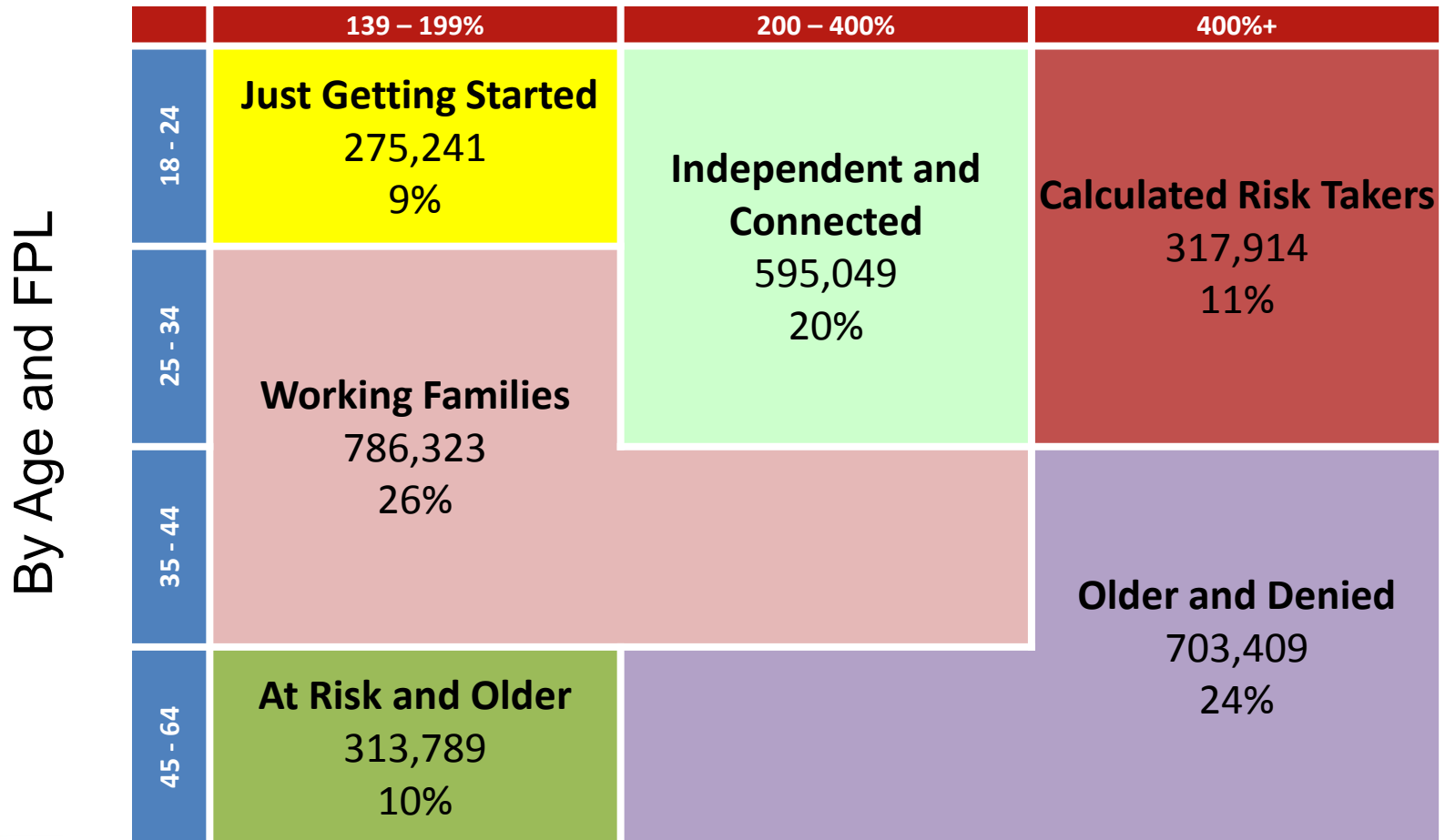
# Marketing & Outreach

## To Reach Target Audiences

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- Annual enrollment goals are the highest in the nation
- Covered California's eligible population is diverse culturally, by age, gender, marital and employment status and number of children at home
- California's media markets are larger and more expensive than any other state
  - California has two of the top 10 Nielson-ranked Designated Market Areas (DMAs) (Los Angeles ranks #2 in the nation and San Francisco/Oakland/San Jose rank #6)
  - California is the only state that has three markets in the top 20 DMAs, including Sacramento/Stockton/Modesto (#20)
  - Efforts need to be translated into at least 13 languages
- 58 counties, large rural and urban areas, extensive coordination with state and local agencies needed

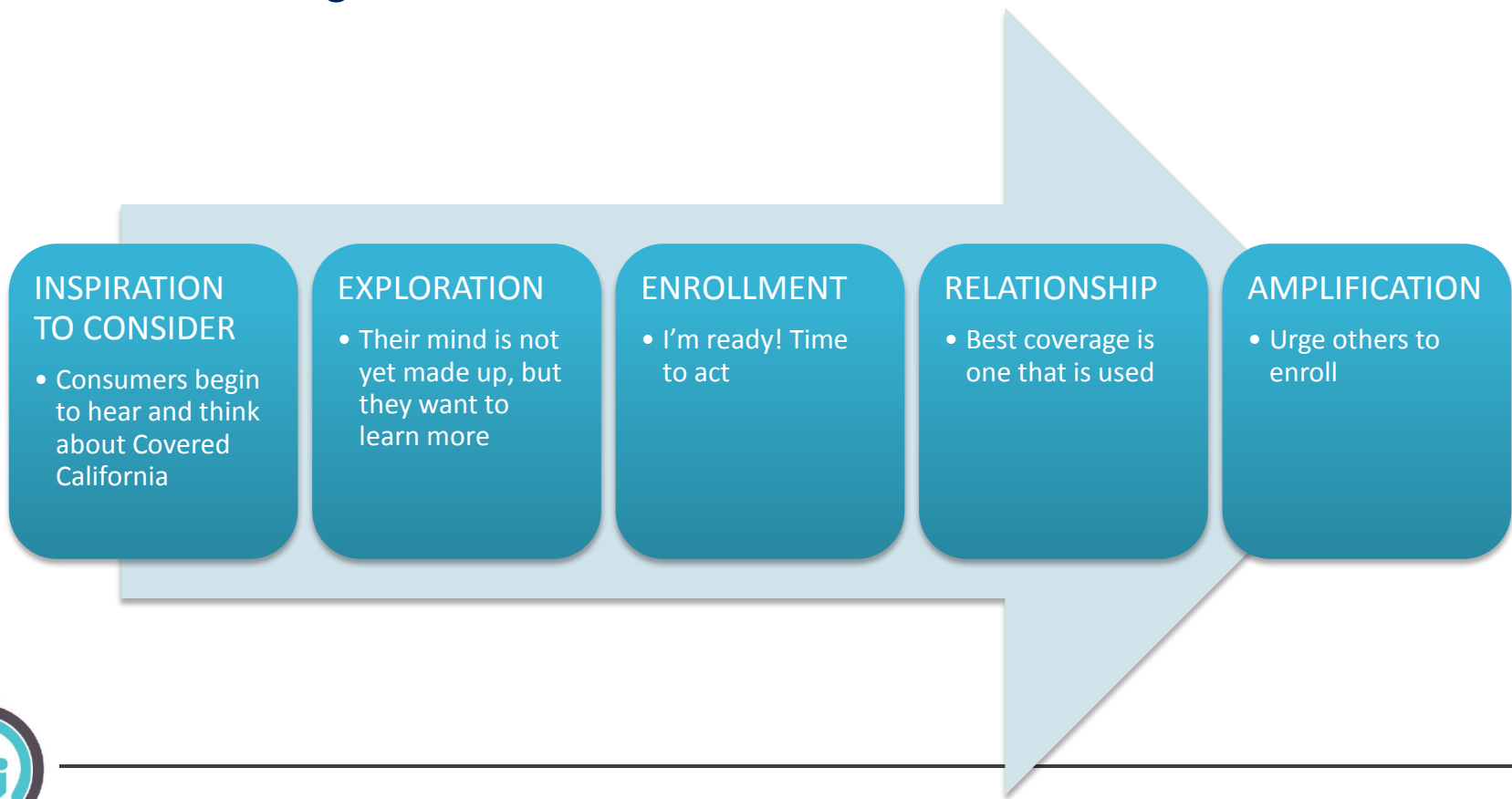
# Covered California's Target Segments



# The Customer Journey

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In developing its media and outreach strategy, Covered California considered each Californian's journey towards health coverage.



# The Strategy – Surrounding the Audiences with Messages and Motivation

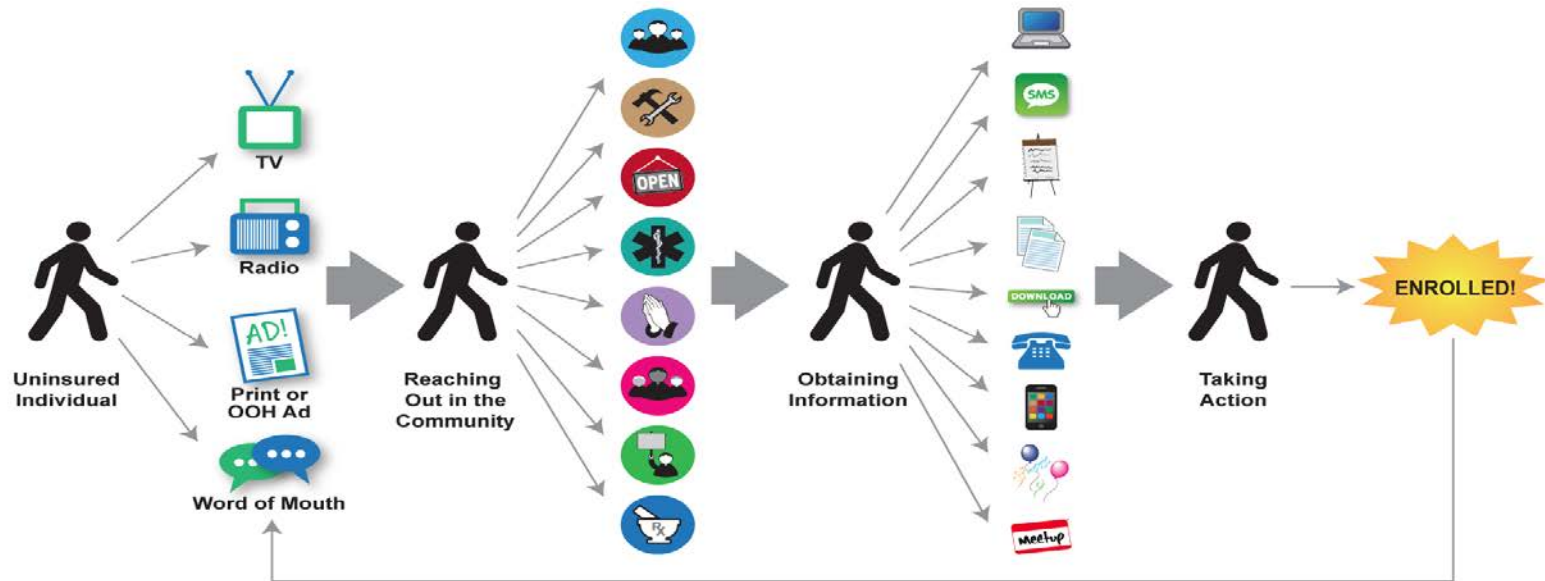
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*Covered California's overall strategic approach is to surround the various target audiences with messages and calls-to-action where they live, learn, work, worship and play.*

- Building-up awareness and education of Covered California through an integrated multi-channel program, will significantly increase the effectiveness of the grass roots efforts, PR and community outreach programs used to engage and enroll
- Covered California will leverage paid, earned and owned channels to achieve these objectives:
  - Create a brand that consumers can identify with and grow to trust
  - Mobilize communities through grants to educate and create awareness in their area
  - Create one-on-one opportunities to assist those needing information and/or wanting to enroll
  - Retain consumers once enrolled and activate them to promote and advocate among their communities, families and friends

# Covered California's Multi-Channel Approach

Educating and engaging through a comprehensive integrated multi-channel campaign program that ultimately drives to enrollment and word of mouth promotion.



# Marketing, Outreach & Education Budget

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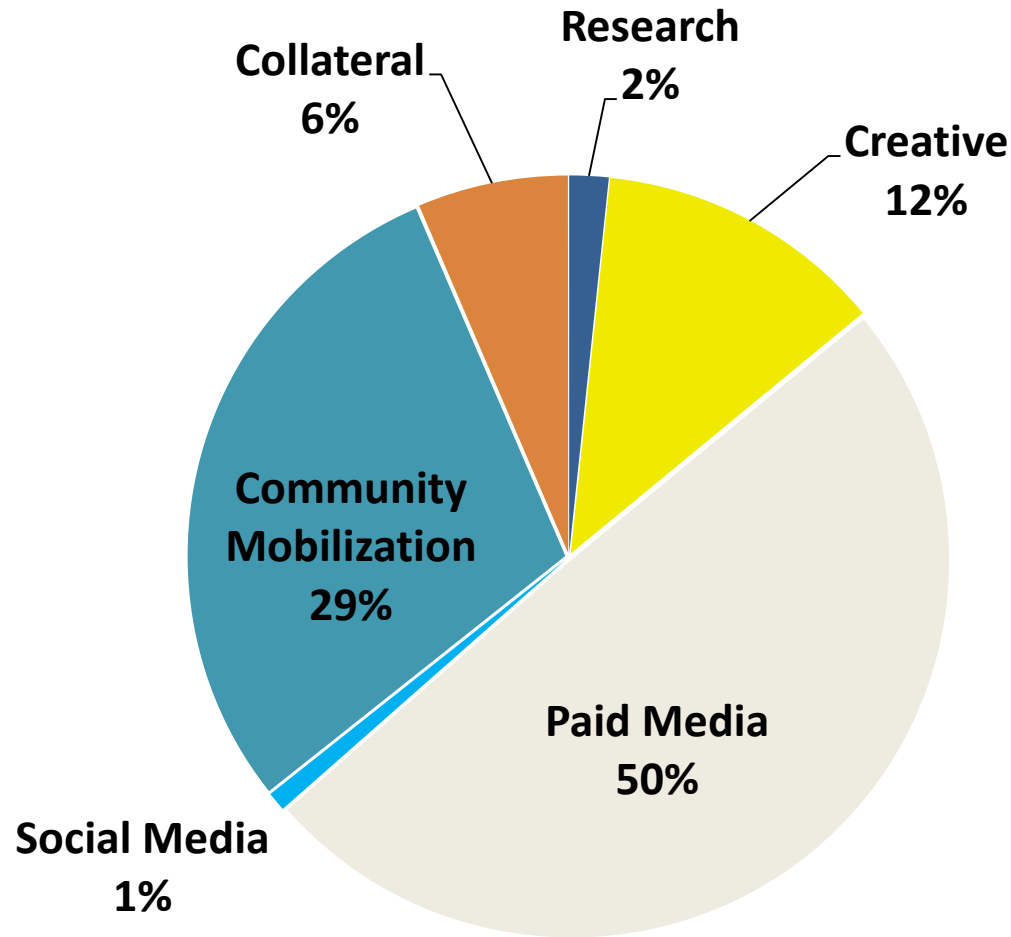
	2013	2014	2015
Research	\$2,900,719	\$2,165,181	\$1,521,687
Creative	\$8,527,474	\$16,063,145	\$14,664,561
Paid Media	\$33,309,897	\$64,252,579	\$58,658,243
Social Media	\$952,500	\$1,063,000	\$1,043,790
Community Mobilization	\$34,583,304	\$37,956,425	\$19,775,000
Collateral	\$8,441,569	\$8,383,877	\$4,554,166
TOTAL	\$88,715,463	\$129,884,207	\$100,217,447
TOTAL Cost Per Target	\$16.83	\$24.72	\$18.91



# Covered California

## 2014 Marketing and Outreach Mix

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# Paid Media

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- Paid media is designed to reach broad and targeted audiences in urban and rural markets across the state.
- Will target all multicultural channels and allow messages in 13 threshold languages.
- Paid media has a “halo” effect on all aspects of the outreach and education program, improving performance in those areas.

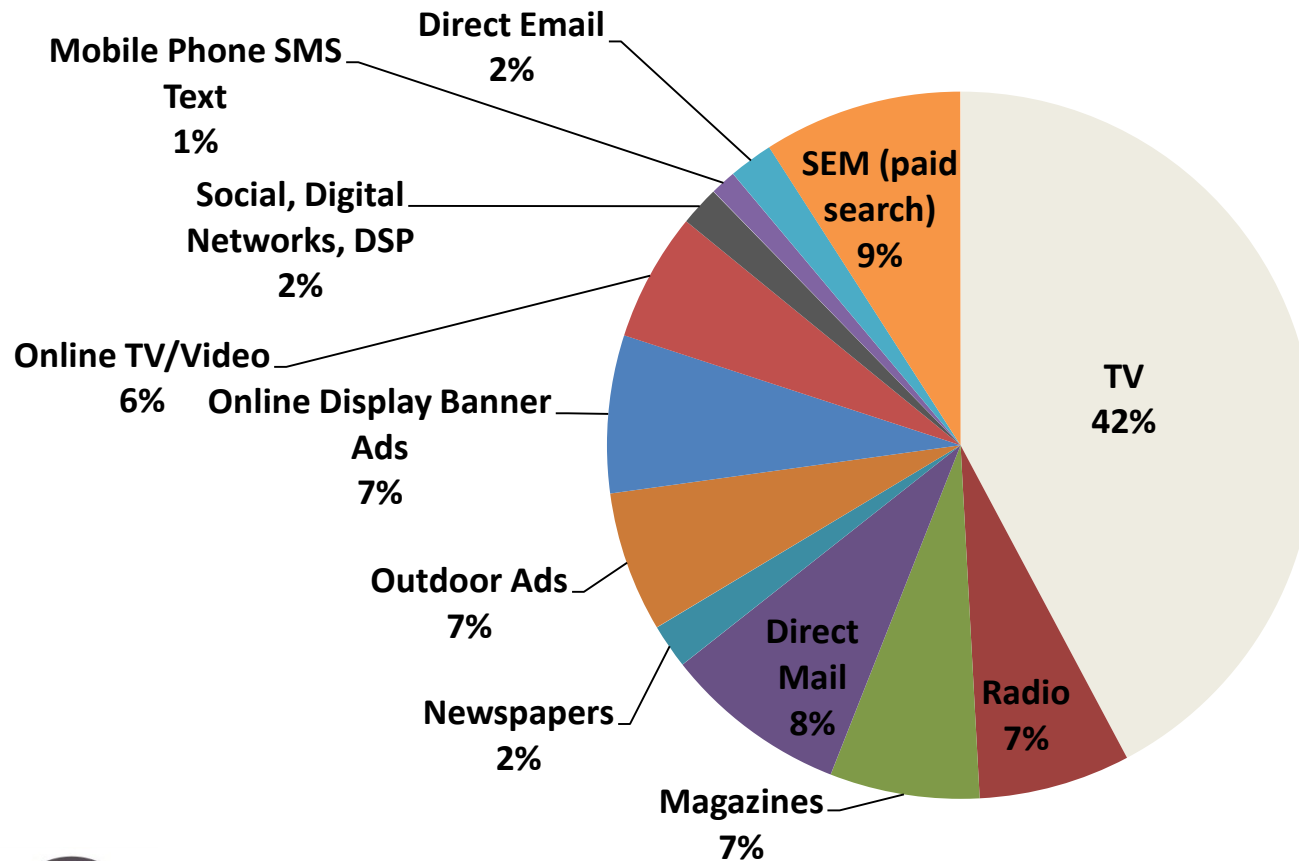
	2013	2014	2015
Paid Media	\$33,309,897	\$64,252,579	\$58,658,243
Cost Per Target	\$4.87	\$14.42	\$16.20

# Approach to Paid Media

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- Research and segment target audiences
- Evaluate media consumption by segment
- Develop integrated media plan to reach largest percentage of targeted consumers
- Budgeting to touch target audience almost 5 times each
- Ongoing evaluations and adjustments

# Paid Media Channel Mix 2013 - 2014



# Community Mobilization

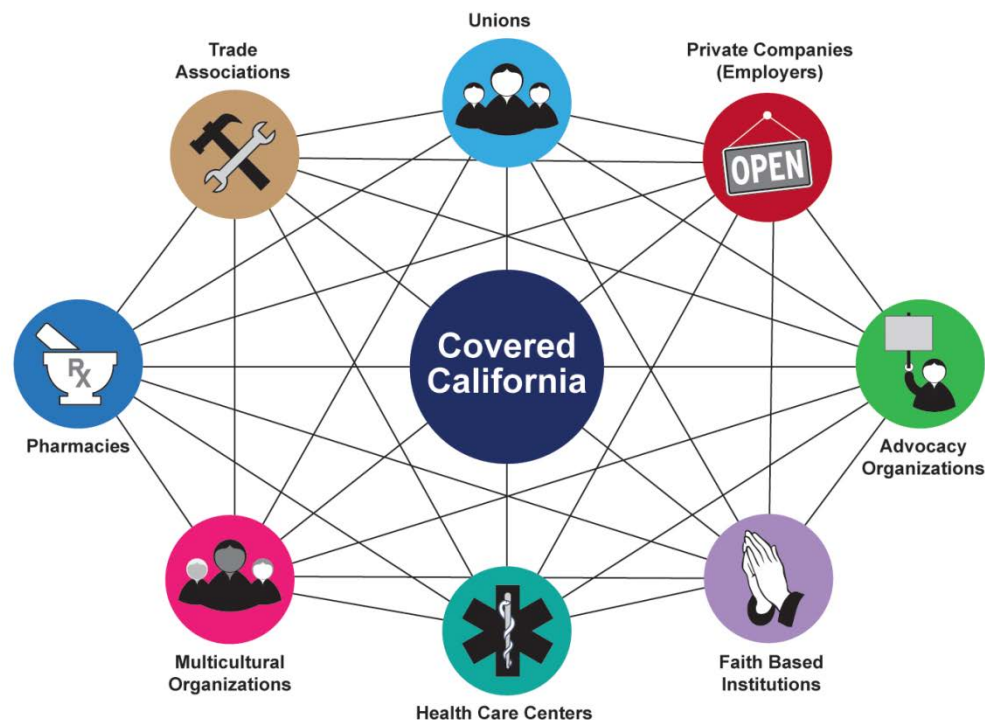
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- Extending paid media through grassroots public relations, media relations and community outreach.
  - Community-based grants program, funded at \$43M over 2013-2014 (\$40M for general outreach and education; \$3M outreach focused on small business)
  - Mobilizing and Educating key influencers
  - Launching key milestone events
  - Establishing market driven partnerships
  - Managing educational outreach and enrollment

	2013	2014	2015
Community Mobilization	\$34,583,304	\$37,956,425	\$19,775,000
Cost Per Target	\$7.80	\$8.02	\$4.60

# Community Mobilization

- Providing a stakeholder engagement framework for our Community Based grants and In-person Assisters program to reach strategic points of entry where people “live, work, shop, and play.”



# Outreach and Grant Timeline

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- Cycle 1
  - Grant application release: December 21, 2012
  - Grant applications due: February 8, 2013
  - Award: March 22, 2013
- Cycle 2
  - Grant application release: April 13, 2013
  - Grant applications due: May 15, 2013
  - Award: June 7, 2013

# Retention Strategies

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In partnership with the plans, develop and implement a retention strategy to reduce churn and increase customer loyalty

- Methodology
  - Over time develop models to maximize retention
  - Develop a communications plan with proper messaging in concert with the plans
  - Leverage existing communications vehicles being utilized by the plans
- Measurement
  - Retention will be measured within targeted segments compared to control groups
  - Retention will be measured in relations to individual plans as well as through Covered California
- Budget
  - Will be determined in consultation with the various participating plans

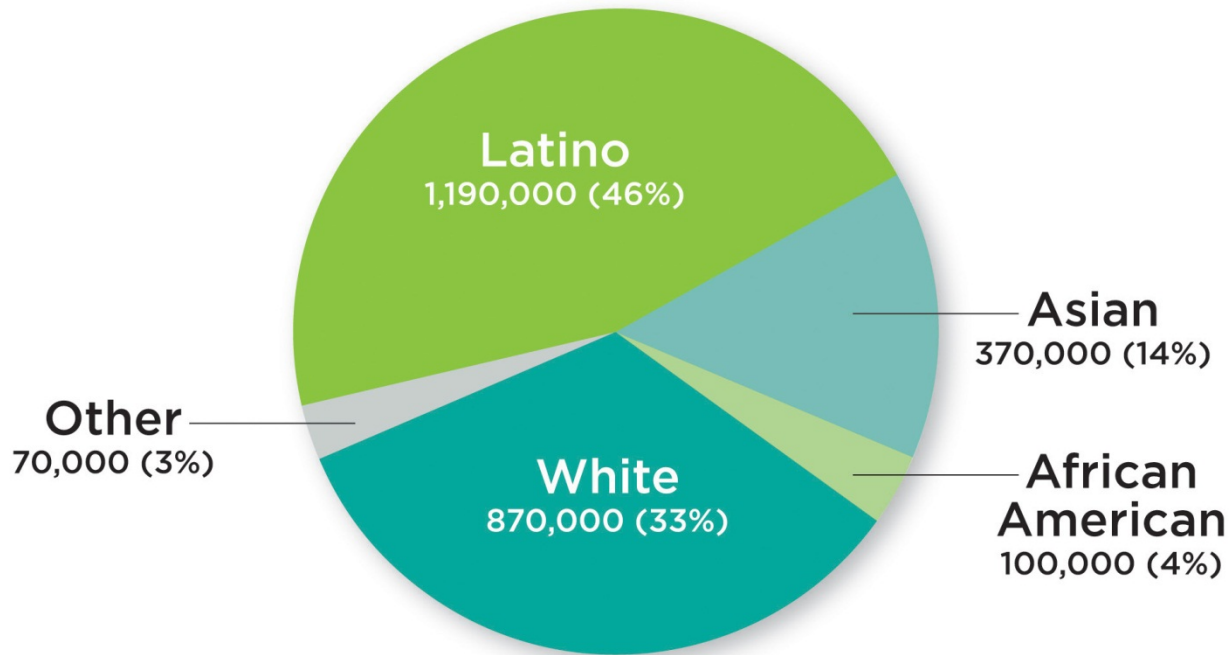


# Cost per Acquisition Comparisons

Reference	Cost Per Acquisition	Notes
Covered California	\$151	Cost based on “enhanced” level of enrollment (does not include assisters or Service Center Costs)
Mass. Connector	\$148	Based on state marketing and combined state and foundation community-based outreach support; initial four years spending (2006-2010).
Healthy Families	\$80	First three years of marketing and outreach (including assisters’ payments at approx. \$15 per all enrolled).
California Health Plan 1	\$200-\$350	Marketing/acquisition costs for individual market in California (excluding agents commissions; different channels).
California Health Plan 2	\$350-\$550	Marketing/acquisition costs for individual market in California (excluding agents commissions; different channels).

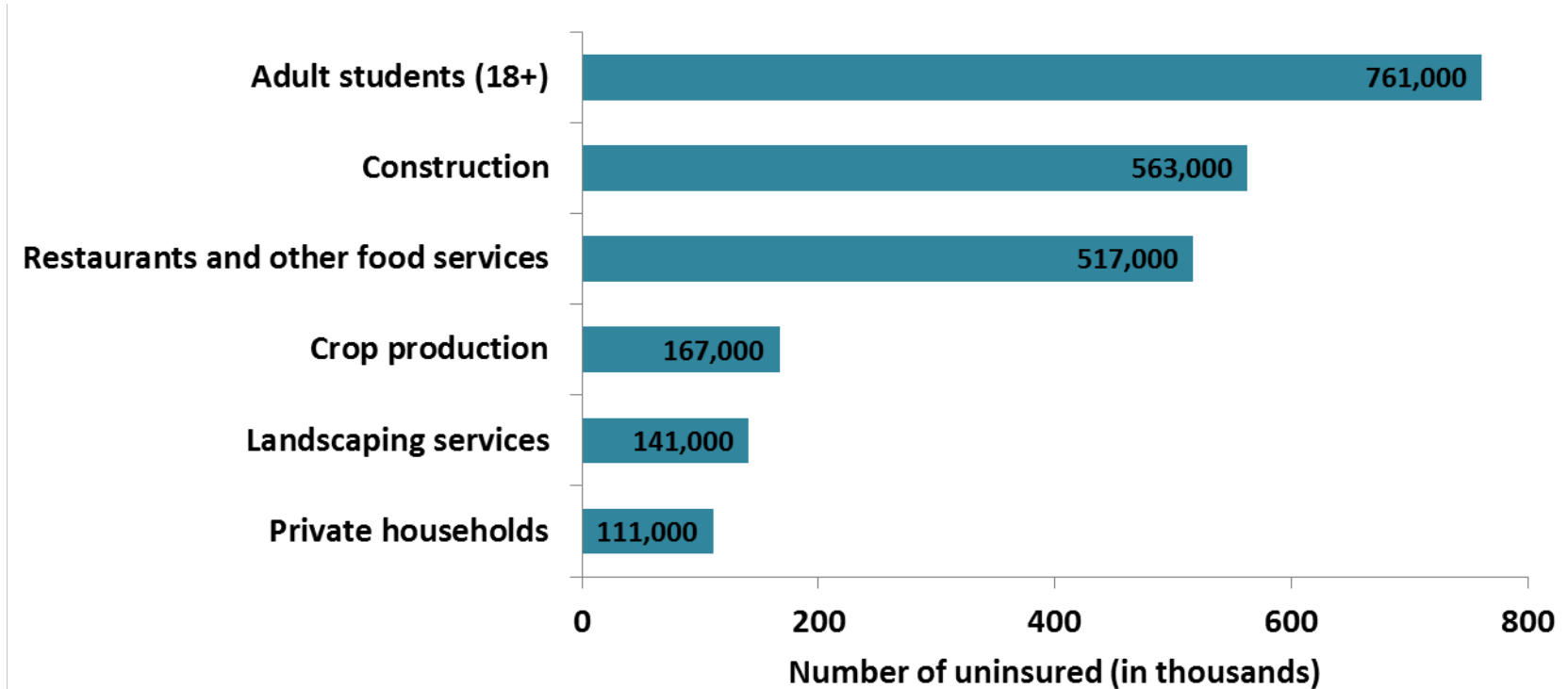
# Ethnic Mix of Exchange Subsidy Eligible Californians

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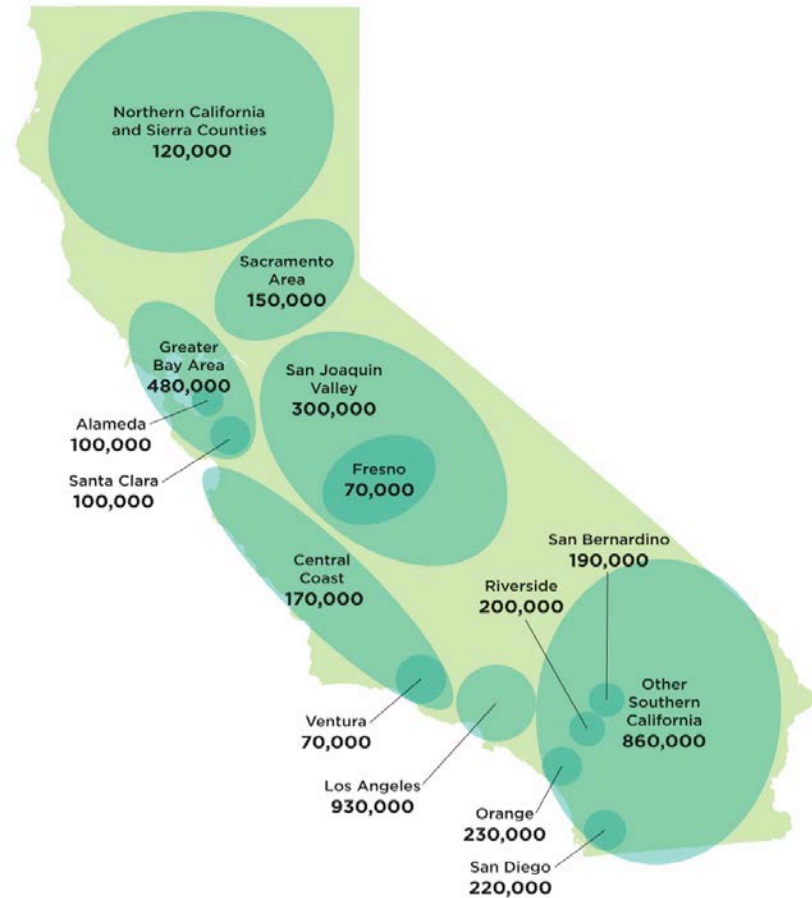
# California's Uninsured: Where do they work?

## Top Six Employment Sectors with Largest Number of Uninsured



# California's Uninsured Population is Spread Throughout the State

California's expanse, diverse geography and mix of rural and urban areas are unique and present outreach challenges.



# Research, Measurement and Optimization

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- Measure the effectiveness of all marketing efforts through primary research, customer and media and secondary research
  - Awareness and message testing will be measured through primary research
  - Channel and media optimization
  - Real-time dashboard for tracking and measuring Key Performance Indicators

	2013	2014	2015
Research	\$2,900,719	\$2,165,181	\$1,521,687
Cost Per Target	\$0.53	\$0.38	\$0.30

# Creative, Strategy and Agency Support

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- Creation of all print, electronic, and other marketing tools
- Marketing and media strategy
- Agency support
- Production of all paid media materials
  - Print
  - Digital
  - TV
  - Radio
  - Out of Home

	2013	2014	2015
Creative & Agency Management	\$8,527,474	\$16,063,145	\$14,664,561
Cost Per Target	\$2.40	\$2.43	\$4.05

# Paid Social Media

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- Generate interest and engagement in the social media space, specific to younger target audience by:
  - Developing social media content that can be shared across the media
  - Pushing content to specific cohorts
  - Engaging and educating
  - Tracking and optimizing

	2013	2014	2015
Paid Social Media	\$952,500	\$1,063,000	\$1,043,790
Cost Per Target	\$0.18	\$0.20	\$0.20

# Collateral: Printing and Distributing Materials for Community Distribution

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- Education materials to help raise awareness, increase understanding and motivate action:
  - Work in concert to reinforce key messages
  - Be culturally and linguistically relevant
  - Create easy to understand material (to address literacy and health literacy issues)
  - Provide a clear call-to-action (visit Covered California)
  - Translate materials into 13 languages that will be offered to program partners

	2013	2014	2015
Collateral	\$8,441,569	\$8,383,877	\$4,554,166
Cost Per Target	\$1.55	\$1.54	\$0.86